

Message Text

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PAGE 01 STATE 055683

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ORIGIN ARA-10

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EINV, AR

SUBJECT: ITT/STANDARD ELECTRIC CASE

1. MR. GUILDFOYLE OF ITT CALLED ON AMBASSADOR RYAN MARCH 4 TO REPORT ON THE STATUS OF HIS DEALINGS WITH THE GOA ON STANDARD ELECTRIC (CSEA). HE SAID ENTEL HAD AGREED ON A WORK PROGRAM FOR CSEA PROVIDED THE ECONOMY MINISTRY WOULD FINANCE IT. CAFIERO HAD PROMISED TO TAKE CARE OF THE FINANCING, BUT WHEN MONDELLI TOOK OFFICE HE FOUND NO RECORD OF CAFIERO'S COMMITMENT AND SAID HE WOULD HAVE TO LOOK INTO THE QUESTION FROM THE BEGINNING.

2. GUILDFOYLE SAID HE TOLD DI TELLA IN JANUARY THAT IN THE ABSENCE OF NEW ORDERS THE CSEA PLANT COULD NOT REOPEN ON FEBRUARY 2 FOLLOWING THE SUMMER VACATIONS. HE SAID 1800 OF THE 2100 WORKERS WERE IDLE; 300 WERE OCCUPIED ON AN EXPORT ORDER. CSEA ASKED THE GOA FOR PERMISSION TO LAY OFF THE 1800 IDLE WORKERS, WHEREUPON THE GOA DECREED A 20 WORKING DAY "CONCILIATION PERIOD". WHEN THIS EXPIRED AT THE END OF FEBRUARY IT WAS EXTENDED FOR ANOTHER 20 WORKING DAYS. A
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PAGE 02 STATE 055683

FURTHER EXTENSION WOULD NOT BE POSSIBLE UNDER ARGENTINE

LABOR LAW. IF NEW ORDERS ARE NOT RECEIVED BY THAT TIME THE GOA WILL EITHER HAVE TO PERMIT THE SUSPENSION OF WORKERS OR INTERVENE THE PLANT. GUILDFOYLE SAID THE LOCAL UNION HAD BEEN SYMPATHETIC TOWARD THE COMPANY AND WAS ALSO PRESSING THE GOA TO GIVE NEW ORDERS TO CSEA. CERTAIN LEFTISTS IN THE WORK FORCE, HOWEVER, HAVE EXPLOITED THE SITUATION IN AN ATTEMPT TO TAKE OVER THE UNION. THE UNION PRESIDENT'S LIFE HAS BEEN THREATENED AND AN ATTEMPT WAS MADE TO KIDNAP HIS DAUGHTER.

3. IN RESPONSE TO A QUESTION, GUILDFOYLE SAID HE HAD NOT REFUSED THE GOA PROPOSAL THAT CSEA BE SOLD TO PRIVATE INVESTORS, BUT THAT HE HAD CHALLENGED THE GOA TO FIND INVESTORS WILLING TO BUY. HE SAID DI TELLA HAD ATTEMPTED TO FIND INTERESTED INVESTORS AND HAS PUT ONE GROUP IN TOUCH WITH ITT. WHEN APPRISED OF CSEA'S LEGAL AND FINANCIAL SITUATION, HOWEVER, THEY WERE NOT WILLING TO MAKE A SERIOUS OFFER. HE SAID THAT IF THE GOA WERE WILLING TO ELIMINATE ITT'S EXPOSURE IN ARGENTINA, BY PERMITTING THE SALE OF THE HOTEL AND THE APPLICATION OF THE PROCEEDS TO CSEA'S EXTERNAL DEBT, GUARANTEEING THAT DEBT, AND ISSUING \$40 MILLION IN EXTERNAL BONDS TO APPLY TOWARD THE DEBT, IT MIGHT THEN BE POSSIBLE TO FIND A PRIVATE BUYER FOR THE REMAINING NET WORTH OF THE COMPANY.

4. GUILDFOYLE SAID THE COURT OF APPEALS HAD THROWN OUT THE CASE THE GOA BROUGHT AGAINST ITT FOR ALLEGED CONTRABAND AND OVERPRICING.

5. GUILDFOYLE SAID HE HOPED THE USG WOULD CONTINUE TO PRESS THE GOA FOR AN EARLY SOLUTION OF THIS CASE. IF SOMETHING IS NOT DONE SOON, THE CASE WILL COME TO A HEAD WHEN THE CURRENT QTE CONCILIATION PERIOD UNQTE EXPIRES TOWARD THE END OF THIS MONTH. KISSINGER

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